

**EAGLE GROVE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-----------------|
| Officials | 1 |
| Independent Auditor's Report | 2-3 |
| Management's Discussion and Analysis | 4-12 |
| Basic Financial Statements: | <u>Exhibit</u> |
| Government-wide Financial Statements: | |
| Statement of Net Assets | A 13 |
| Statement of Activities | B 14-15 |
| Governmental Fund Financial Statements: | |
| Balance Sheet | C 16 |
| Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets | D 17 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | E 18-19 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities | F 20 |
| Proprietary Fund Financial Statements: | |
| Combining Statement of Revenues, Expenses and Changes in Net Assets | G 21 |
| Combining Statement of Cash Flows | H 22 |
| Notes to Financial Statements | 23-31 |
| Required Supplementary Information: | |
| Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund | 32 |
| Notes to Required Supplementary Information - Budgetary Reporting | 33 |
| Other Supplementary Information: | <u>Schedule</u> |
| Nonmajor Special Revenue Funds: | |
| Combining Balance Sheet | 1 34 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 2 35 |
| Schedule of Changes in Special Revenue Fund, Student Activity Accounts | 3 36-37 |
| Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds | 4 38 |
| Schedule of Expenditures of Federal Awards | 5 39 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | 40-41 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 | 42-43 |
| Schedule of Findings and Questioned Costs | 44-46 |

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

Board of Education

(Before September, 2006 Election)

| | | |
|-----------------|----------------|------|
| Randy Hansen | President | 2008 |
| Jon Matteson | Vice President | 2007 |
| Ann Motley | | 2007 |
| Michael Moffitt | | 2006 |
| Jon Rowen | | 2007 |

(After September, 2006 Election)

| | | |
|--------------|----------------|------|
| Jon Matteson | President | 2007 |
| Ann Motley | Vice President | 2007 |
| Randy Hansen | | 2008 |
| Kurt Morgan | | 2009 |
| Jon Rowen | | 2007 |

School Officials

| | |
|----------------|----------------------------------|
| Rodney Montang | Superintendent |
| Teresa Sadler | District Secretary/ Treasurer |

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Eagle Grove Community School District:

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Eagle Grove Community School District, Eagle Grove, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

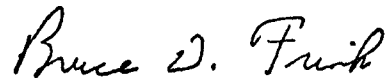
We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eagle Grove Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 26, 2008 on our consideration of Eagle Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

BRUCE D. FRINK
Certified Public Accountant

March 26, 2008

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Eagle Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,143,196 in fiscal year 2006 to \$7,346,575 in fiscal year 2007, while General Fund expenditures increased from \$7,606,806 in fiscal year 2006 to \$8,118,304 in fiscal year 2007.
- The increase in General Fund revenues was primarily attributable to increased state revenues sources. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. Expense increases were almost entirely related to salaries and benefits.
- The School Infrastructure Local Option Sales Tax for Wright County was implemented July 1, 2003. Proceeds are being used for building projects.
- The District completed construction of a new elementary school, along with remodeling and additions to the middle school.
- The District's 21st Century Grant that funded the after school "Connections" program decreased significantly as the five year grant period ends in fiscal year 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Eagle Grove Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Eagle Grove Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Eagle Grove Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Eagle Grove Community School District Annual Financial Report

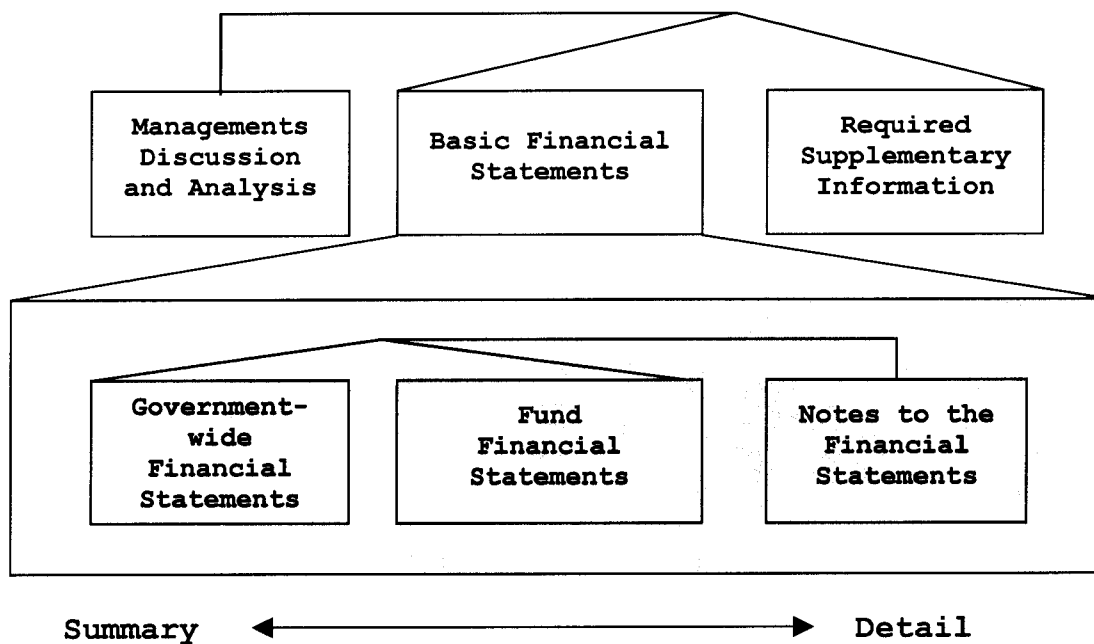


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | |
|---|--|---|---|
| | Government-wide Statements | Fund Statements | |
| | | Governmental Funds | Proprietary Funds |
| Scope | Entire district | The activities of the district that are not proprietary, such as special education and building maintenance | Activities the district operates similar to private businesses, such as food service |
| Required financial statements | <ul style="list-style-type: none"> . Statement of Net Assets . Statement of Activities | <ul style="list-style-type: none"> . Balance sheet . Statement of Revenues, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> . Statement of Net Assets . Statement of Revenues, Expenses and Changes in Net Assets . Statement of Cash Flows |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All revenues and expenses during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to 2006.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

| | Governmental Activities | | Business type Activities | | Total District | | Total Change |
|--|----------------------------|---------------|-----------------------------|-----------|-------------------|---------------|-----------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2006-07 |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Current assets | 4,836 | 5,864 | 7 | 4 | 4,843 | 5,868 | -17.47% |
| Capital assets | 10,391 | 9,073 | 17 | 21 | 10,408 | 9,094 | 14.45% |
| Total assets | <u>15,227</u> | <u>14,937</u> | <u>24</u> | <u>25</u> | <u>15,251</u> | <u>14,962</u> | <u>1.93%</u> |
| Current liabilities | 4,373 | 3,754 | 8 | 14 | 4,381 | 3,768 | 16.27% |
| Non-current liabilities | 5,597 | 5,828 | - | - | 5,597 | 5,828 | -3.96% |
| Total liabilities | <u>9,970</u> | <u>9,582</u> | <u>8</u> | <u>14</u> | <u>9,978</u> | <u>9,596</u> | <u>3.98%</u> |
| Net Assets | | | | | | | |
| Invested in capital assets, net of related debt | 4,841 | 3,298 | 17 | 21 | 4,858 | 3,319 | 46.37% |
| Restricted | 590 | 1,652 | - | - | 590 | 1,652 | -64.29% |
| Unrestricted | (174) | 405 | (1) | (10) | (175) | 395 | -144.30% |
| Total net assets | <u>5,257</u> | <u>5,355</u> | <u>16</u> | <u>11</u> | <u>5,273</u> | <u>5,366</u> | <u>-1.73%</u> |

Total net assets decreased by almost \$100,000. The largest portion of the decrease was in the General Fund as revenue increases did not keep pace with the increase in salary and benefits.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Change in Net Assets
(Expressed in Thousands)

| | Governmental Activities | | Business type Activities | | Total District | | Total Change |
|---|----------------------------|--------------|-----------------------------|-------------|-------------------|--------------|-----------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2006-07 |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service and sales | 157 | 139 | 175 | 175 | 332 | 314 | 5.73% |
| Operating grants, contributions and restricted interest | 1,877 | 1,649 | 193 | 188 | 2,070 | 1,837 | 12.68% |
| General revenues: | | | | | | | |
| Property tax | 2,947 | 2,477 | - | - | 2,947 | 2,477 | 18.97% |
| Local option sales tax | 469 | 545 | - | - | 469 | 545 | -13.94% |
| Unrestricted state grants | 3,676 | 3,565 | - | - | 3,676 | 3,565 | 3.11% |
| Unrestricted investment earnings | 25 | 31 | - | - | 25 | 31 | -19.35% |
| Other | 42 | 9 | - | - | 42 | 9 | 366.67% |
| Total revenues | <u>9,193</u> | <u>8,415</u> | <u>368</u> | <u>363</u> | <u>9,561</u> | <u>8,778</u> | <u>8.92%</u> |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 5,493 | 5,183 | - | - | 5,493 | 5,183 | 5.98% |
| Support Services | 2,555 | 2,487 | - | - | 2,555 | 2,487 | 2.73% |
| Non-instructional programs | 245 | 239 | 363 | 374 | 608 | 613 | -0.82% |
| Other expenses | 997 | 1,274 | - | - | 997 | 1,274 | -21.74% |
| Total expenses | <u>9,290</u> | <u>9,183</u> | <u>363</u> | <u>374</u> | <u>9,653</u> | <u>9,557</u> | <u>1.00%</u> |
| Change in net assets | <u>(97)</u> | <u>(768)</u> | <u>5</u> | <u>(11)</u> | <u>(92)</u> | <u>(779)</u> | <u>88.19%</u> |

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,494,164 and expenses were \$9,290,645. The District's General Fund decreased due to a combination of revenue decreases and increases in salaries and related benefits.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

| | Total Cost of Services | | Net Change | Net Cost of Services | | Net Change |
|---------------------------|---------------------------|--------------|---------------|-------------------------|--------------|---------------|
| | 2007 | 2006 | 2006-07 | 2007 | 2006 | 2006-07 |
| | \$ | \$ | % | \$ | \$ | % |
| Instruction | 5,493 | 5,183 | 5.98% | 4,149 | 4,068 | 1.99% |
| Support Services | 2,555 | 2,487 | 2.73% | 2,249 | 2,451 | -8.24% |
| Noninstructional Programs | 245 | 238 | 2.94% | 196 | (3) | 6633.33% |
| Other expenses | 997 | 1,274 | -21.74% | 662 | 879 | -24.69% |
| Totals | <u>9,290</u> | <u>9,182</u> | <u>1.18%</u> | <u>7,256</u> | <u>7,395</u> | <u>-1.88%</u> |

- The cost financed by users of the District's programs was \$157,315.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$907,485.
- The net cost of governmental activities was financed with \$2,946,842 in property tax, \$3,676,053 in state foundation aid, and \$25,069 in interest income.

Business Type Activities

Revenues of the District's business type activities were \$368,270 and expenses were \$36,371. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted the Eagle Grove Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,257,795, two percent below last year's ending fund balances of \$5,355,100.

Governmental Fund Highlights

- Decreased federal funding for 21st Century Grant. This program will have no federal funding after fiscal year 2008.
- The Physical Plant and Equipment Levy was used only for regular costs once again thus the balance increased. The District also sold the former administration building thus adding monies to the PPEL Fund balance.

Proprietary Fund Highlights

The Nutrition Fund struggles to maintain a positive balance given increases in food and salary costs. The District has attempted to maintain prices at a reasonable level.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service and Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$220,000 less than the total budgeted receipts. Decreases in anticipated state funding were the main reason.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the District has invested more than \$10.4 million, after accumulated depreciation, in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$377,000.

The Elementary addition to the Middle School was completed in the spring of 2007.

The District acquired the Emerson Building from Iowa Central Community College. It now houses the District Administration Office in addition to educational uses. The previous administration building was sold in fiscal year 2007.

Long-Term Debt

The District has \$5,550,000 in outstanding general obligation bonds. The bonds will be repaid with proceeds from the School Infrastructure Local Option Sales Tax and property taxes, when necessary.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District will levy property taxes in fiscal year 2007 to pay for principal and interest on long-term debt.
- The District passed an Instructional Support Levy to begin in fiscal year 2007.
- The District has been experiencing decreasing enrollment the past several years. Funding for the District is directly related to enrollment levels.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Teresa Sadler, Business Manager, Eagle Grove Community School District, 325 N Commercial, Eagle Grove, IA 50533.

Basic Financial Statements

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and pooled investments | 622,735 | - | 622,735 |
| ISCAP investments | 866,629 | - | 866,629 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 41,103 | - | 41,103 |
| Succeeding year | 3,002,541 | - | 3,002,541 |
| Due from other governments | 303,071 | - | 303,071 |
| ISCAP accrued interest receivable | 259 | - | 259 |
| Inventories | - | 7,355 | 7,355 |
| Capital assets, net of accumulated depreciation (note 3) | 10,391,134 | 16,683 | 10,407,817 |
| Total assets | 15,227,472 | 24,038 | 15,251,510 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | 476,064 | 8,330 | 484,394 |
| Accrued interest payable | 19,197 | - | 19,197 |
| ISCAP warrants payable | 868,000 | - | 868,000 |
| ISCAP accrued interest payable | 6,654 | - | 6,654 |
| Deferred revenue: | | | |
| Succeeding year property tax | 3,002,541 | - | 3,002,541 |
| Long term liabilities: | | | |
| Portion due within one year: | | | |
| Bonds payable | 235,000 | - | 235,000 |
| Early retirement | 33,460 | - | 33,460 |
| Portion due after one year: | | | |
| Bonds payable | 5,315,000 | - | 5,315,000 |
| Early retirement | 13,761 | - | 13,761 |
| Total liabilities | 9,969,677 | 8,330 | 9,978,007 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 4,841,134 | 16,683 | 4,857,817 |
| Restricted for: | | | |
| Capital Projects | 417,207 | - | 417,207 |
| Debt Service | 4,464 | - | 4,464 |
| Physical Plant and Equipment Levy | 73,062 | - | 73,062 |
| Management levy | 96,282 | - | 96,282 |
| Unrestricted | (174,354) | (975) | (175,329) |
| Total net assets | 5,257,795 | 15,708 | 5,273,503 |

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|------------------|------------------------|--|--|-----------------------------|-------------|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Functions/Programs | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | 5,493,180 | 155,590 | 1,188,450 | (4,149,140) | - | (4,149,140) |
| Support services: | | | | | | |
| Student services | 201,185 | - | - | (201,185) | - | (201,185) |
| Instructional staff services | 269,897 | - | - | (269,897) | - | (269,897) |
| Administration services | 996,747 | - | - | (996,747) | - | (996,747) |
| Operation and maintenance of plant services | 797,636 | - | 304,715 | (492,921) | - | (492,921) |
| Transportation services | 289,766 | 1,725 | - | (288,041) | - | (288,041) |
| | 2,555,231 | 1,725 | 304,715 | (2,248,791) | - | (2,248,791) |
| Non-instructional programs | | | | | | |
| Community service and education | 244,747 | - | 48,696 | (196,051) | - | (196,051) |
| Other expenditures: | | | | | | |
| Facilities acquisition and construction | 94,182 | - | 38,526 | (55,656) | - | (55,656) |
| Long-term debt interest | 236,753 | - | 3,540 | (233,213) | - | (233,213) |
| AEA flowthrough | 293,439 | - | 293,439 | - | - | - |
| Depreciation (unallocated) * | 373,113 | - | - | (373,113) | - | (373,113) |
| | 997,487 | - | 335,505 | (661,982) | - | (661,982) |
| Total governmental activities | 9,290,645 | 157,315 | 1,877,366 | (7,255,964) | - | (7,255,964) |

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

| | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | | |
|----------------------------------|--|---------|--|-----------------------------|-------------|
| | Operating Grants, Contributions and Restricted Interest | | | | |
| | Charges for Service | | Governmental Activities | Business Type Activities | Total |
| Expenses | | | | | |
| \$ | \$ | \$ | \$ | \$ | \$ |
| Business type activities: | | | | | |
| Non-instructional programs: | | | | | |
| Nutrition services | 363,371 | 175,229 | - | 4,899 | 4,899 |
| Total | 9,654,016 | 332,544 | (7,255,964) | 4,899 | (7,251,065) |
| General revenues: | | | | | |
| Property tax levied for: | | | | | |
| General purposes | | | 2,193,922 | - | 2,193,922 |
| Management fund | | | 100,246 | - | 100,246 |
| Capital outlay | | | 189,434 | - | 189,434 |
| Debt service | | | 463,240 | - | 463,240 |
| Local option sales tax | | | 469,092 | - | 469,092 |
| Unrestricted state grants | | | 3,676,053 | - | 3,676,053 |
| Unrestricted investment earnings | | | 25,069 | - | 25,069 |
| Other | | | 41,603 | - | 41,603 |
| Total general revenue | | | 7,158,659 | - | 7,158,659 |
| Change in net assets | | | (97,305) | 4,899 | (92,406) |
| Net assets beginning of year | | | 5,355,100 | 10,809 | 5,365,909 |
| Net assets end of year | | | 5,257,795 | 15,708 | 5,273,503 |

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

| | <u>General</u> | <u>Capital</u> | <u>Debt</u> | <u>Non-major</u> | <u>Total</u> |
|--|------------------|----------------|----------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | |
| Cash and pooled investments | 1,977 | 377,960 | - | 242,798 | 622,735 |
| ISCAP investments | 866,629 | - | - | - | 866,629 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Current year | 30,591 | - | 6,519 | 3,993 | 41,103 |
| Succeeding year | 2,253,859 | - | 465,366 | 283,316 | 3,002,541 |
| Due from other governments | 265,879 | 37,192 | - | - | 303,071 |
| ISCPA accrued interest receivable | 259 | - | - | - | 259 |
| Interfund receivable | - | 2,055 | - | - | 2,055 |
| Total assets | <u>3,419,194</u> | <u>417,207</u> | <u>471,885</u> | <u>530,107</u> | <u>4,838,393</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 476,064 | - | - | - | 476,064 |
| Interfund payable | - | - | 2,055 | - | 2,055 |
| ISCAP warrants payable | 868,000 | - | - | - | 868,000 |
| ISCAP accrued interest payable | 6,654 | - | - | - | 6,654 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 2,253,859 | - | 465,366 | 283,316 | 3,002,541 |
| Total liabilities | <u>3,604,577</u> | <u>-</u> | <u>467,421</u> | <u>283,316</u> | <u>4,355,314</u> |
| Fund balances: | | | | | |
| Reserved for capital projects | - | 417,207 | - | - | 417,207 |
| Reserved for debt service | - | - | 4,464 | - | 4,464 |
| Unreserved | (185,383) | - | - | 246,791 | 61,408 |
| Total fund balance | <u>(185,383)</u> | <u>417,207</u> | <u>4,464</u> | <u>246,791</u> | <u>483,079</u> |
| Total liabilities and fund balances | <u>3,419,194</u> | <u>417,207</u> | <u>471,885</u> | <u>530,107</u> | <u>4,838,393</u> |

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

| | | |
|---|-----------------|---------------------|
| Total fund balances of governmental funds (Exhibit C) | | \$ 483,079 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | | 10,391,134 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | | (19,197) |
| Long-term liabilities, including bonds payable and capital loan notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | | |
| General obligation bonds | (5,550,000) | |
| Early retirement | <u>(47,221)</u> | <u>(5,597,221)</u> |
| Net assets of governmental activities (Exhibit A) | | <u>\$ 5,257,795</u> |

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

| | General | Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|--|------------------|-----------------|---------------------|--------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | 2,193,922 | 463,240 | 469,092 | 289,680 | 3,415,934 |
| Tuition | 155,590 | - | - | - | 155,590 |
| Other | 120,634 | 3,201 | 38,526 | 439,153 | 601,514 |
| State sources | 4,373,023 | 339 | - | 209 | 4,373,571 |
| Federal sources | 503,406 | - | - | - | 503,406 |
| Total revenues | <u>7,346,575</u> | <u>466,780</u> | <u>507,618</u> | <u>729,042</u> | <u>9,050,015</u> |
| Expenditures: | | | | | |
| Instruction: | <u>5,153,830</u> | <u>-</u> | <u>-</u> | <u>345,103</u> | <u>5,498,933</u> |
| Support services: | | | | | |
| Student services | 201,185 | - | - | - | 201,185 |
| Instructional staff services | 372,808 | - | - | - | 372,808 |
| Administration services | 918,523 | - | - | 78,224 | 996,747 |
| Operation and maintenance of plant services | 669,464 | - | - | 128,172 | 797,636 |
| Transportation services | <u>264,308</u> | <u>-</u> | <u>-</u> | <u>25,458</u> | <u>289,766</u> |
| | <u>2,426,288</u> | <u>-</u> | <u>-</u> | <u>231,854</u> | <u>2,658,142</u> |
| Non-instructional programs: | | | | | |
| Community service and education | <u>244,747</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>244,747</u> |
| Other expenditures: | | | | | |
| Facilities acquisition and construction | - | - | 1,590,418 | 92,293 | 1,682,711 |
| Long-term debt: | | | | | |
| Principal | - | 225,000 | - | - | 225,000 |
| Interest | - | 237,316 | - | - | 237,316 |
| AEA flowthrough | <u>293,439</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>293,439</u> |
| | <u>293,439</u> | <u>462,316</u> | <u>1,590,418</u> | <u>92,293</u> | <u>2,438,466</u> |
| Total expenditures | <u>8,118,304</u> | <u>462,316</u> | <u>1,590,418</u> | <u>669,250</u> | <u>10,840,288</u> |

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

| | General | Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|---|-------------------------|---------------------|-----------------------|--------------------------------|-----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Excess (deficiency) of revenues over (under) expenditures | <u>(771,729)</u> | <u>4,464</u> | <u>(1,082,800)</u> | <u>59,792</u> | <u>(1,790,273)</u> |
| Other financing sources (uses): | | | | | |
| Sale of property | <u>1,000</u> | <u>-</u> | <u>-</u> | <u>142,325</u> | <u>143,325</u> |
| | <u>1,000</u> | <u>-</u> | <u>-</u> | <u>142,325</u> | <u>143,325</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | <u>(770,729)</u> | <u>4,464</u> | <u>(1,082,800)</u> | <u>202,117</u> | <u>(1,646,948)</u> |
| Fund balances beginning of year | <u>585,346</u> | <u>-</u> | <u>1,500,007</u> | <u>44,674</u> | <u>2,130,027</u> |
| Fund balances end of year | <u><u>(185,383)</u></u> | <u><u>4,464</u></u> | <u><u>417,207</u></u> | <u><u>246,791</u></u> | <u><u>483,079</u></u> |

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit E) \$ (1,646,948)

**Amounts reported for governmental activities in the
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | |
|----------------------|------------------|-----------|
| Capital outlays | 1,691,440 | |
| Depreciation expense | <u>(373,113)</u> | 1,318,327 |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

| | | |
|--------|--|---------|
| Repaid | | 225,000 |
|--------|--|---------|

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | | |
|-----------|---------------|-------|
| Additions | (19,490) | |
| Payments | <u>25,243</u> | 5,753 |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

563

Change in net assets of governmental activities (Exhibit B) \$ (97,305)

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2007

| | School Nutrition |
|------------------------------|----------------------|
| | <u>\$</u> |
| Operating revenue: | |
| Local sources: | |
| Charges for services | <u>175,229</u> |
| Operating expenses: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 128,344 |
| Benefits | 39,159 |
| Services | 1,439 |
| Supplies | 190,242 |
| Depreciation | <u>4,187</u> |
| Total operating expenses | <u>363,371</u> |
| Operating (loss) | <u>(188,142)</u> |
| Non-operating revenues: | |
| Interest on investments | 24 |
| State sources | 4,464 |
| Federal sources | <u>188,553</u> |
| | <u>193,041</u> |
| Change in net assets | 4,899 |
| Net assets beginning of year | <u>10,809</u> |
| Net assets end of year | <u><u>15,708</u></u> |

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2007

| | School Nutrition \$ |
|---|---------------------------|
| Cash flows from operating activities: | |
| Cash received from sale of services | 175,229 |
| Cash payments to employees for services | (167,503) |
| Cash payments to suppliers for goods or services | (174,824) |
| Net cash provided by (used in) operating activities | (167,098) |
| Cash flows from non-capital financing activities: | |
| State grants received | 4,464 |
| Federal grants received | 162,610 |
| Net cash provided by non-capital financing activities | 167,074 |
| Cash flows from investing activities: | |
| Interest on investments | 24 |
| Net increase (decrease) in cash and cash equivalents | - |
| Cash and cash equivalents beginning of year | - |
| Cash and cash equivalents end of year | - |
| Reconciliation of operating income (loss) to net cash used in operating activities: | |
| Operating income (loss) | (188,142) |
| Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities: | |
| Depreciation | 4,187 |
| Commodities used | 25,943 |
| (Increase) in inventory | (3,454) |
| Increase in accounts payable | (5,632) |
| | (167,098) |
| Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet: | |
| Current assets: | |
| Cash | - |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received federal commodities valued at \$25,943.

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Eagle Grove Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Eagle Grove, Iowa, and agricultural territory in Wright, Webster and Humboldt Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Eagle Grove Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Eagle Grove Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary fund is the School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| Land | \$ 2,000 |
| Buildings | 10,000 |
| Improvements other than buildings | 10,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 1,000 |
| Other furniture and equipment | 1,000 |

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives (In Years)</u> |
|-----------------------------------|--|
| Buildings | 50 years |
| Improvements other than buildings | 20-50 years |
| Furniture and equipment | 5-15 years |

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities is deemed to be immaterial at June 30, 2007.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted in any of the four functions.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|------------------|------------------|---------------------------|
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | <u>131,192</u> | <u>-</u> | <u>-</u> | <u>131,192</u> |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 226,145 | - | - | 226,145 |
| Buildings | 5,830,758 | 6,920,565 | - | 12,751,323 |
| Furniture and Equipment | 2,450,366 | 102,911 | - | 2,553,277 |
| Construction in Progress | <u>5,332,036</u> | <u>-</u> | <u>5,332,036</u> | <u>-</u> |
| Total capital assets being depreciated | <u>13,839,305</u> | <u>7,023,476</u> | <u>5,332,036</u> | <u>15,530,745</u> |
| Less accumulated depreciation for: | | | | |
| Improvements other than buildings | 195,895 | 3,526 | - | 199,421 |
| Buildings | 2,609,235 | 267,272 | - | 2,876,507 |
| Furniture and Equipment | <u>2,092,560</u> | <u>102,315</u> | <u>-</u> | <u>2,194,875</u> |
| Total accumulated depreciation | <u>4,897,690</u> | <u>373,113</u> | <u>-</u> | <u>5,270,803</u> |
| Total capital assets being depreciated, net | <u>8,941,615</u> | <u>6,650,363</u> | <u>5,332,036</u> | <u>10,259,942</u> |
| Governmental activities, capital assets, net | <u>9,072,807</u> | <u>6,650,363</u> | <u>5,332,036</u> | <u>10,391,134</u> |
| Business type activities: | | | | |
| Furniture and Equipment | 47,153 | - | 12,647 | 34,506 |
| Less accumulated depreciation | <u>26,283</u> | <u>4,187</u> | <u>12,647</u> | <u>17,823</u> |
| Business type activities capital assets, net | <u>20,870</u> | <u>(4,187)</u> | <u>-</u> | <u>16,683</u> |

Depreciation expense was charged to the following functions:

| | |
|---------------------------|----------------|
| Governmental activities: | |
| Unallocated | <u>373,113</u> |
| Business type activities: | |
| Food service operations | <u>4,187</u> |

(4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

| | GO Bonds Payable | Early Retirement | Total |
|---------------------------|------------------------|---------------------|------------------|
| Balance beginning of year | 5,775,000 | 52,974 | 5,827,974 |
| Additions | - | 19,490 | 19,490 |
| Reductions | <u>225,000</u> | <u>25,243</u> | <u>250,243</u> |
| Balance end of year | <u>\$5,550,000</u> | <u>47,221</u> | <u>5,597,221</u> |

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll, for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$267,885, \$249,808, and \$239,733 respectively, equal to the required contributions for each year.

(6) Risk Management

Eagle Grove Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$293,439 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$16,000. Early retirement benefits paid during the year ended June 30, 2007 totaled \$25,243.

(9) Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

| <u>Year Ending June 30,</u> | <u>Interest Rates %</u> | <u>Principal \$</u> | <u>Interest \$</u> | <u>Total \$</u> |
|-------------------------------------|---------------------------------|-------------------------|------------------------|---------------------|
| 2008 | 3.00 | 235,000 | 230,366 | 465,366 |
| 2009 | 3.00 | 245,000 | 223,316 | 468,316 |
| 2010 | 3.00 | 250,000 | 215,966 | 465,966 |
| 2011 | 3.00 | 260,000 | 208,466 | 468,466 |
| 2012 | 3.00 | 270,000 | 199,366 | 469,366 |
| 2013 | 3.00 | 280,000 | 188,566 | 468,566 |
| 2014 | 3.00 | 300,000 | 174,566 | 474,566 |
| 2015 | 3.00 | 305,000 | 159,566 | 464,566 |
| 2016 | 3.00 | 320,000 | 147,824 | 467,824 |
| 2017 | 3.00 | 335,000 | 135,024 | 470,024 |
| 2018 | 3.00 | 345,000 | 121,456 | 466,456 |
| 2019 | 3.00 | 360,000 | 107,225 | 467,225 |
| 2020 | 3.00 | 375,000 | 91,925 | 466,925 |
| 2021 | 3.00 | 390,000 | 75,613 | 465,613 |
| 2022 | 3.00 | 410,000 | 58,258 | 468,258 |
| 2023 | 3.00 | 425,000 | 39,807 | 464,807 |
| 2024 | 3.00 | 445,000 | 20,470 | 465,470 |
| Total | | <u>5,550,000</u> | <u>2,397,780</u> | <u>7,947,780</u> |

(10) Due from and Due to Other Funds

The detail of Interfund receivables and payables at June 30, 2007 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|----------------|
| Capital Projects | Debt Service | <u>\$2,055</u> |

The Debt Service Fund owes for a cash deficit in a joint bank account. The balance is expected to be repaid by October 31, 2007.

(11) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

| <u>Series</u> | <u>Warrant Date</u> | <u>Final Warrant Maturity</u> | <u>Investment</u> | <u>Accrued Interest Receivable</u> | <u>Warrants Payable</u> | <u>Accrued Interest Payable</u> |
|---------------|-------------------------|---------------------------------------|-------------------|--|-----------------------------|---|
| 2007-08A | 6/27/07 | 6/27/08 | <u>\$866,629</u> | <u>259</u> | <u>868,000</u> | <u>6,654</u> |

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2007.

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

| <u>Series</u> | <u>Interest Rates on Warrants</u> | <u>Interest Rates on Investments</u> |
|---------------|---------------------------------------|--|
| 2007-08A | 4.50% | 5.455% |

(12) Contingencies

The District is currently involved in a dispute with the firm that served as project manager for the elementary school construction project. At issue is the amount of money that the District owes the project manager for his services. According to district legal counsel in the matter, no probable outcome can be determined at this time, thus no liability has been reflected in the financial statements.

Required Supplementary Information

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

| | Governmental Fund Types | Proprietary Fund Type | Total Actual | Budgeted Amounts Original | Final | Final to Actual Variance - Positive (Negative) |
|--|----------------------------|--------------------------|-----------------|------------------------------|-------------|--|
| | Actual | Actual | Actual | Original | Final | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | |
| Local sources | 4,173,038 | 175,253 | 4,348,291 | 4,298,257 | 4,298,257 | 50,034 |
| State sources | 4,373,571 | 4,464 | 4,378,035 | 4,850,206 | 4,850,206 | (472,171) |
| Federal sources | 503,406 | 188,553 | 691,959 | 492,000 | 492,000 | 199,959 |
| Total revenues | 9,050,015 | 368,270 | 9,418,285 | 9,640,463 | 9,640,463 | (222,178) |
| Expenditures | | | | | | |
| Instruction | 5,498,933 | - | 5,498,933 | 6,326,617 | 6,326,617 | 827,684 |
| Support services | 2,658,142 | - | 2,658,142 | 2,710,101 | 2,710,101 | 51,959 |
| Non-instructional programs | 244,747 | 363,371 | 608,118 | 783,605 | 783,605 | 175,487 |
| Other expenditures | 2,438,466 | - | 2,438,466 | 3,273,701 | 3,273,701 | 835,235 |
| Total expenditures | 10,840,288 | 363,371 | 11,203,659 | 13,094,024 | 13,094,024 | 1,890,365 |
| Excess (deficiency) of revenues over (under) expenditures | (1,790,273) | 4,899 | (1,785,374) | (3,453,561) | (3,453,561) | 1,668,187 |
| Other financing sources (uses) | 143,325 | - | 143,325 | - | - | - |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (1,646,948) | 4,899 | (1,642,049) | (3,453,561) | (3,453,561) | 1,668,187 |
| Balance beginning of year | 2,130,027 | 10,809 | 2,140,836 | 3,432,469 | 3,432,469 | (1,291,633) |
| Balance end of year | 483,079 | 15,708 | 498,787 | (21,092) | (21,092) | 376,554 |

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2007

| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Total |
|---|--------------------|---------------------|--|----------------|
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Cash and pooled investments | 142,103 | 30,226 | 70,469 | 242,798 |
| Property tax receivable: | | | | |
| Current year | 1,400 | - | 2,593 | 3,993 |
| Succeeding year | 100,000 | - | 183,316 | 283,316 |
| Other receivables | - | - | - | - |
| Total assets | <u>243,503</u> | <u>30,226</u> | <u>256,378</u> | <u>530,107</u> |
| Liabilities and Fund Balance | | | | |
| Liabilities: | | | | |
| Accounts payable | - | - | - | - |
| Interfund payable | - | - | - | - |
| Deferred revenue: | | | | |
| Succeeding year property tax | 100,000 | - | 183,316 | 283,316 |
| | 100,000 | - | 183,316 | 283,316 |
| Fund balance: | | | | |
| Unreserved fund balances | 143,503 | 30,226 | 73,062 | 246,791 |
| Total liabilities and fund balance | <u>243,503</u> | <u>30,226</u> | <u>256,378</u> | <u>530,107</u> |

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2007

| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Total |
|---|--------------------|---------------------|--|----------------|
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 100,246 | - | 189,434 | 289,680 |
| Other | 103,376 | 276,972 | 58,805 | 439,153 |
| State sources | 74 | - | 135 | 209 |
| Total revenues | <u>203,696</u> | <u>276,972</u> | <u>248,374</u> | <u>729,042</u> |
| Expenditures: | | | | |
| Instruction: | 58,757 | 274,882 | 11,464 | 345,103 |
| Support services: | | | | |
| Administration services | 78,224 | - | - | 78,224 |
| Plant operation and maintenance | 128,172 | - | - | 128,172 |
| Student transportation | - | - | 25,458 | 25,458 |
| Other expenditures: | | | | |
| Facilities acquisition and construction | - | - | 92,293 | 92,293 |
| Total expenditures | <u>265,153</u> | <u>274,882</u> | <u>129,215</u> | <u>669,250</u> |
| (Deficiency) of revenues (under) expenditures | <u>(61,457)</u> | <u>2,090</u> | <u>119,159</u> | <u>59,792</u> |
| Other financing (uses): | | | | |
| Sale of real property | - | - | 142,325 | 142,325 |
| Total operating financing (uses) | <u>-</u> | <u>-</u> | <u>142,325</u> | <u>142,325</u> |
| Excess (deficiency) of revenues over (under) expenditures and other financing uses | (61,457) | 2,090 | 261,484 | 202,117 |
| Fund balances beginning of year | <u>204,960</u> | <u>28,136</u> | <u>(188,422)</u> | <u>44,674</u> |
| Fund balances end of year | <u>143,503</u> | <u>30,226</u> | <u>73,062</u> | <u>246,791</u> |

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|--|---------------------------------|----------|--------------|---------------------------|
| | \$ | \$ | \$ | \$ |
| HS Musical | 5,652 | - | - | 5,652 |
| HS Speech/Drama | 242 | - | - | 242 |
| MS Speech/Drama | (160) | - | 36 | (196) |
| Trip Fund/Music Department | 3,004 | 2,731 | 1,450 | 4,285 |
| Music Concession Account | 469 | 15,748 | 15,481 | 736 |
| Color Guard | 77 | 1,453 | 1,992 | (462) |
| HS Music Account | 7,260 | 1,133 | 1,148 | 7,245 |
| Middle School Music | - | 80 | 80 | - |
| General Athletic Account | (3,764) | 11,962 | 26,783 | (18,585) |
| MS General Athletic | (2,940) | 2,940 | - | - |
| HS Boys Basketball | 1,463 | 6,260 | 4,771 | 2,952 |
| MS Boys Basketball | (950) | 950 | 500 | (500) |
| Boys Basketball Camp | 153 | - | - | 153 |
| HS Football | (3,626) | 18,963 | 15,275 | 62 |
| MS Football | (2,081) | 2,081 | 842 | (842) |
| Football Camp | 1,268 | 4,505 | 4,519 | 1,254 |
| Baseball | (4,650) | 1,259 | 152 | (3,543) |
| HS Cross Country | 78 | 1,045 | 738 | 385 |
| HS Cross Country Extracurricular | 1,841 | 1,789 | 2,387 | 1,243 |
| HS Boys Track | 694 | 1,725 | 3,162 | (743) |
| MS Boys Track | (279) | 454 | 180 | (5) |
| HS Boys Golf | (218) | 231 | 70 | (57) |
| HS Wrestling | 1,467 | 6,498 | 6,283 | 1,682 |
| MS Wrestling | (849) | 849 | 350 | (350) |
| HS Girls Basketball | 1,377 | 8,895 | 8,114 | 2,158 |
| MS Girls Basketball | (800) | 800 | 1,250 | (1,250) |
| Volleyball Camp | 32 | - | - | 32 |
| HS Volleyball | 442 | 3,110 | 2,602 | 950 |
| MS Volleyball | (450) | 908 | 1,158 | (700) |
| Softball | (4,609) | 565 | 791 | (4,835) |
| HS Girls Cross Country | (67) | 715 | 1,454 | (806) |
| HS Girls Cross Country Extracurricular | 1,856 | 1,074 | 499 | 2,431 |
| HS Girls Track | (548) | 1,949 | 1,988 | (587) |
| MS Girls Track | (271) | 321 | 275 | (225) |
| HS Girls Golf | (1,299) | 1,299 | 183 | (183) |
| Interest Account | 898 | 668 | 898 | 668 |
| HS Annual | (13,616) | 3,854 | - | (9,762) |
| Book Fair | 1,053 | 6,303 | 6,263 | 1,093 |
| Student Extracurricular | 832 | 1,767 | 1,777 | 822 |
| HS Student Fundraising | 2,911 | 20,405 | 18,781 | 4,535 |
| HS Science Club | - | 2,079 | 1,015 | 1,064 |
| Student Activity Tickets | 9,312 | 13,031 | 9,462 | 12,881 |

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|-----------------------------|---------------------------------|----------|--------------|---------------------------|
| | \$ | \$ | \$ | \$ |
| Adult Activity Tickets | 1,215 | 1,155 | 1,215 | 1,155 |
| HS Quiz Bowl | (63) | 835 | 1,175 | (403) |
| MS Student Senate | 1,274 | 12,698 | 10,744 | 3,228 |
| MS Student Fundraising | 1,668 | 2,758 | 2,946 | 1,480 |
| Destination Imagination | 540 | - | - | 540 |
| Cheerleaders | 149 | 1,315 | 1,450 | 14 |
| Drill Team | (593) | 36,116 | 39,305 | (3,782) |
| FFA | 4,177 | 11,600 | 14,356 | 1,421 |
| Spanish Club | 7,642 | 10,101 | 14,100 | 3,643 |
| National Honor Society | 813 | 6,818 | 6,705 | 926 |
| FBLA | 1,230 | 29,466 | 28,553 | 2,143 |
| FCCLA | 478 | 722 | 249 | 951 |
| HS Student Senate | 1,698 | 2,035 | 2,576 | 1,157 |
| Caring for Kids | (423) | 1,423 | 376 | 624 |
| Health Fair | 129 | - | 129 | - |
| FCS Businesses | 396 | 4,009 | 1,679 | 2,726 |
| Robert Blue School Yearbook | 2,078 | 1,348 | 606 | 2,820 |
| Class of 2006 | 46 | - | 2 | 44 |
| Class of 2007 | 117 | 603 | 646 | 74 |
| Class of 2008 | 1,497 | 3,571 | 5,080 | (12) |
| Class of 2009 | 1,250 | - | 119 | 1,131 |
| Class of 2010 | 1,614 | - | 162 | 1,452 |
| Totals | 28,136 | 276,972 | 274,882 | 30,226 |

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICTSchedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

| Modified Accrual Basis | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2007 | 2006 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 3,415,934 | 3,021,844 | 2,742,246 | 2,674,602 |
| Tuition | 155,590 | 138,627 | 125,970 | 75,470 |
| Other | 601,514 | 474,317 | 789,654 | 536,334 |
| State sources | 4,373,571 | 4,129,322 | 4,498,530 | 4,007,474 |
| Federal sources | 503,406 | 650,792 | 303,023 | 304,138 |
| Total | <u>9,050,015</u> | <u>8,414,902</u> | <u>8,459,423</u> | <u>7,598,018</u> |
| Expenditures: | | | | |
| Instruction | 5,498,933 | 5,165,387 | 4,705,343 | 4,521,003 |
| Support services: | | | | |
| Student | 201,185 | 186,211 | 252,973 | 274,259 |
| Instructional staff | 372,808 | 326,432 | 420,245 | 393,046 |
| Administration | 996,747 | 915,737 | 880,991 | 976,983 |
| Operation and maintenance of plant | 797,636 | 718,919 | 679,021 | 581,850 |

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

| <u>Grantor/Program</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Expenditures</u> \$ |
|---|------------------------|-------------------------|---------------------------|
| Indirect: | | | |
| Department of Agriculture: | | | |
| Iowa Department of Education: | | | |
| Food Distribution | 10.550 | FY07 | <u>25,943</u> |
| School Nutrition Cluster Programs: | | | |
| National School Breakfast Program | 10.553 | FY07 | 30,748 |
| National School Lunch Program | 10.555 | FY07 | <u>131,682</u> |
| | | | <u>162,430</u> |
| Department of Justice: | | | |
| Iowa Department of Education: | | | |
| Juvenile Justice and Delinquency Prevention | 16.523 | FY07 | 26,546 |
| Department of Education: | | | |
| Iowa Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 1944-G-07 | 127,747 |
| Safe and Drug-Free Schools and Communities - States Grants | 84.186 | FY07 | 3,658 |
| Innovative Education Program Strategies | 84.298 | FY07 | 1,495 |
| 21st Century Community Learning Centers Program | 84.287 | FY07 | 121,844 |
| Improving Teacher Quality - States Grants | 84.367 | FY07 | 33,077 |
| Grants for Assessments and Related Activities | 84.369 | FY07 | 6,083 |
| Vocational Education - Basic Grants to States | 84.048 | FY07 | 13,328 |
| Area Education Agency 8: | | | |
| Special Education - Grants to States (IDEA Part B) | 84.027 | FY07 | <u>23,838</u> |
| Total | | | <u><u>545,989</u></u> |

Basis of Presentation - The Schedule of Expenditures of Federal Awards included the federal grant activity of Eagle Grove Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of
Eagle Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Eagle Grove Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eagle Grove Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Eagle Grove Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eagle Grove Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Eagle Grove Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Eagle Grove Community School District's financial statements that is more than inconsequential will not be prevented or detected by Eagle Grove Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Eagle Grove Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-II-A is a material weakness.

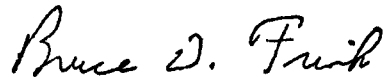
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eagle Grove Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eagle Grove Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 26, 2008

BRUCE D. FRINK
Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133

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To the Board of Education of
Eagle Grove Community School District:

Compliance

We have audited the compliance of Eagle Grove Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Eagle Grove Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Eagle Grove Community School District's management. Our responsibility is to express an opinion on Eagle Grove Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eagle Grove Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Eagle Grove Community School District's compliance with those requirements.

In our opinion Eagle Grove Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Eagle Grove Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Eagle Grove Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eagle Grove Community School District's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be material weakness.

Eagle Grove Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Eagle Grove Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

March 26, 2008

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.287 - 21st Century Community Learning Centers
Clustered programs
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Eagle Grove Community School District did not qualify as a low-risk auditee.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

07-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number: 84.287 21st Century Community Learning Centers

Federal Award Year: 2007

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.555 National School Lunch Program

Federal Award Year: 2007

US Department of Education

Passed through Iowa Department of Education Agency 8

CFDA Number: 10.553 School Breakfast Program

Federal Award Year: 2007

US Department of Education

Passed through Iowa Central Community College

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part III: Findings For Federal Awards:
(continued)

07-III-A Segregation of Duties over Federal Funds - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

07-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-IV-B Certified Budget - During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted in any of the four functions.

07-IV-C Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

07-IV-E Business Transactions - No Business transactions between the District and District officials or employees were noted.

07-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

07-IV-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

07-IV-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

07-IV-I Certified Annual Report - The Certified Annual Report was filed in a timely manner. No significant deficiencies were noted in the amounts reported.

07-IV-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.